



# insureyour

## V I L L A G E H A L L

## The Perils of Underinsurance and How to Avoid Them!

In the current economic climate, the trustees of many village halls and community buildings are ignoring the risk of not checking that their buildings are adequately insured for fear that doing so might lead to their insurance premiums increasing.

But it's a false economy.

The buildings sum insured is the amount of money for which the property is covered. The sum insured should represent the full current rebuilding cost of the property. It's important to remember that the current market value of the property has no direct relationship to the rebuilding cost.

***Failure to insure for the full value may result in the partial settlement in the event of a claim as the insurer may reduce the amount payable in proportion to the degree of underinsurance.***

'Average' is a condition applied to most insurance policies to protect the insurer in instances of underinsurance. If the sum insured is incorrectly stated to the insurer and a claim is made on the policy, in most cases the Average condition will be applied.

For example:

- Insured value stated to be £100,000
- Actual rebuilding cost £200,000
- Underinsured percentage 50%

If the building was completely destroyed the effect of the Average condition would be to reduce the sum insured by the amount of the underinsurance so in this example the insurer would pay 50% of £100,000, meaning the insured would only receive £50,000.

***So, as you can see, the impact of underinsurance can be disastrous!***

It's important to remember that trustees have a duty to insure the charity's assets and liabilities and may be held personally liable if they fail to do so.

In their document on Charities and Insurance, in relation to buildings insurance the Charity Commission state:

***'It is very important that the sum insured is adequate. If, in the event of a claim being made the amount is found to be insufficient and the trustees ought to have purchased more extensive cover, the trustees may be liable to make good the shortfall out of their own pockets.'***

To reduce the risk of this happening, it's essential that the trustees obtain a valuation of the building prepared by a professionally qualified building surveyor. The surveyor should be asked to confirm whether or not the current figure is adequate and the trustees should notify their insurer immediately if any amendment to the sum insured is required.

But it doesn't stop there. Regular checks should be made to ensure that the sum insured remains adequate; it's not sufficient to rely on any indexing that your insurer might apply at each renewal. Carrying out valuations regularly will not always result in premiums going up and it is not unheard of to find that the sums insured are too high and actually need to come down!

To remove the risk of underinsurance, Insure Your Village Hall are offering their policyholders the opportunity to receive a free buildings insurance valuation.

**Insure Your Village Hall**

on **0330 123 5990**

quoting reference **U16**

or visit them at

[www.insureyourvillagehall.co.uk](http://www.insureyourvillagehall.co.uk)

Insure Your Village Hall, 18A Drake Crescent, Chippenham, Wiltshire, SN14 0XH  
T: 0330 123 5990 E: [enquiry@insureyourvillagehall.co.uk](mailto:enquiry@insureyourvillagehall.co.uk) W: [www.insureyourvillagehall.co.uk](http://www.insureyourvillagehall.co.uk)